

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY
UNTIL RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE

**STATEMENT OF
GENERAL B. B. BELL
COMMANDER, UNITED NATIONS COMMAND;
COMMANDER, REPUBLIC OF KOREA-UNITED STATES COMBINED FORCES COMMAND;
AND COMMANDER, UNITED STATES FORCES KOREA
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE**

9 March 2006



FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Table of Contents

I. Northeast Asia Security Environment	2
II. North Korean Challenges to Regional and Global Security	4
North Korean Military	5
North Korean Asymmetric Threats	6
North Korean Economy	8
Assessment of the North Korean Threats	9
III. The Republic of Korea – United States Alliance	10
Republic of Korea Today	10
Strengthening the Republic of Korea – United States Alliance	12
Republic of Korea’s Support of Global and Regional Security	18
IV. United Nations Command, Combined Forces Command, and United States Forces Korea	19
Ensuring Peace and Stability on the Korean Peninsula	20
Strengthening the Republic of Korea – United States Alliance through Transformation	21
United Nations Command	21
Combined Forces Command and United States Forces Korea	23
Enhancing Warfighting Readiness	27
Improving Force Well-Being	35
Upgrading and Building New Infrastructure	36
Force Protection	38
Prostitution and Human Trafficking and Sexual Assault	39
Ensuring Equitable Pay	39
V. Transforming for the Future	40

FOR OFFICIAL USE ONLY

Mr. Chairman, and distinguished members of the committee, thank you for the opportunity to appear before you today as Commander, United Nations Command; Commander, Republic of Korea – United States Combined Forces Command; and Commander, United States Forces Korea. It is my distinct honor to represent the Soldiers, Sailors, Airmen, Marines, and their families who serve in the Republic of Korea. On behalf of these outstanding men and women who serve our country, I thank you for your unwavering commitment to our nation's armed forces and improving the quality of life of our service members and their families. Your support allows us to ensure security on the Korean peninsula and promote stability in the Northeast Asia region. I appreciate this opportunity to report on the state of the Command and on the strengthening of the Republic of Korea - United States Alliance.

Much has changed in the more than half-century of the Republic of Korea - United States Alliance, change affected both by the events of September 11, 2001 and by new developments on the Korean peninsula, revealing a far more complex security environment. These changes have resulted in increased security responsibilities for the United States and increased interdependence with our allies and coalition partners throughout the world. A new generation of South Korean leaders, cognizant of their national achievements, is eager to achieve a more constructive relationship with North Korea and to take a more active role in regional affairs. At the same time, while still dependent on international aid for economic survival, North Korea has continued to defy

FOR OFFICIAL USE ONLY

international conventions through its declared possession of nuclear weapons, presenting a clear threat to both the region and the entire world.

While the dynamics of the security environment are evolving and our security relationships continue to mature, the fundamental purpose of the Republic of Korea - United States Alliance remains unwavering: deter and defend against a North Korean threat; and sustain a mutual commitment to regional security and stability. We continue to encounter calculated North Korean efforts to divide an alliance that has been the foundation for peace and prosperity in the Northeast Asia region for over half a century. Together, we are working to transform the Republic of Korea - United States Alliance into a stronger, far more capable alliance, while setting conditions for an enduring United States military presence in Korea. This military transformation of the Republic of Korea - United States Combined Forces Command will also bolster regional security and stability, promote prosperity, and better defend democracy in the region.

I. The Northeast Asia Security Environment

The United States has significant, long-term interests in Northeast Asia; namely, mitigating threats to regional stability, promoting economic cooperation and free market enterprise, and fulfilling our commitments to allies and friends. The long-standing presence of United States forces and the strength of our strategic partnerships provide the foundation for stability and the catalyst for continued cooperation and prosperity in the region. Forward-deployed United States forces demonstrate our resolve to strengthen and expand alliances,

FOR OFFICIAL USE ONLY

counter the proliferation of weapons of mass destruction, work with partners and friends to defuse regional conflicts, and stand with our partners to oppose threats to freedom wherever they arise. United States forces based in South Korea, along with military forces from the Republic of Korea and other regional partners, enable the promotion of long-term regional stability by continuing to deter an increasingly manipulative and provocative North Korea.

Northeast Asia is a nexus of economic might. United States trade in the region accounted for about twenty four percent of our nation's total international trade in goods for 2005, exceeding the share of goods traded with the European Union and second only to our trade with the countries of the North American Free Trade Agreement. Bilateral United States - Republic of Korea trade alone totaled \$72 billion in 2005. All told, over one-quarter of the world's total trade flows through the Northeast Asia region. With this trade and investment likely to expand in the future, the stability of Northeast Asia is essential to the vitality of global markets, upon which the prosperity of the United States also greatly relies.

While economic cooperation and interdependence within Northeast Asia represent a positive trend toward encouraging stable relations, our military presence remains essential in a region that includes five of the world's six largest militaries, three of the world's proven nuclear powers, and one self-declared nuclear state -- North Korea. Historical enmity amongst nations, coupled with the continuing upward trend in regional military expenditures, present the potential for large-scale military competition and corresponding instability. Over the last

decade, while average global defense spending has declined, defense spending in Northeast Asia has increased by about one quarter.

Within this context, North Korea continues to defy the international community by declaring its possession of nuclear weapons, which are a threat to the security and stability of the peninsula, the region, and the world. The Six-Party Talks between the United States, Republic of Korea, North Korea, China, Japan, and Russia on the issue of North Korea's nuclear weapons programs represent the six countries most engaged in this area of the world with respect to the assurances of a peaceful and stable Korean peninsula. The United States is committed to resolving the North Korean nuclear issue peacefully. Because the North Korean nuclear issue is complex, the solution will likely be complicated, requiring substantial effort by all parties involved. However, the fact that the six parties remain engaged is an indication of positive intent. Throughout this process, the Alliance will remain ready to deter, and if necessary, to defeat a North Korean attack.

II. North Korean Challenges to Regional and Global Security

North Korea poses a variety of threats to regional and global stability: an active nuclear weapons development program; growing proliferation of missiles and missile technology; assessed possession of chemical weapons and a biological research program; large conventional and special operations forces; and a failing economy. Its leader, Kim Jong Il, shows little regard for the welfare of ordinary citizens, and uses extensive internal security measures to ensure that

FOR OFFICIAL USE ONLY

no internal challenge to his regime emerges. He increasingly encourages illicit activities such as drug trafficking and counterfeiting of U.S. currency to generate hard cash, and demonstrates little regard for international convention or agreements. The regime repeatedly uses the threat of large-scale war and weapons of mass destruction in order to extort aid or other concessions from the international community.

Kim Jong Il's paramount concern is to remain firmly in control. He rules the nation through a small cadre of elites who control all aspects of North Korean life. While the reunification of the peninsula under North Korean control remains the primary stated purpose of his regime, the ultimate goal of the North Korean dictator is self-preservation. Currently, there is little evidence to suggest that any internal threat to the regime exists.

The North Korean Military

The world's most militarized nation in proportion to population, North Korea has the world's fourth largest armed forces with over 1.2 million active-duty personnel, and more than five million reserves. Mandatory military conscription lasts eight years on average, with most servicemen performing the same job in the same unit the entire period. This stability in the ranks allows North Korean units to maintain readiness while limiting the expenditure of scarce resources. With more than seventy percent of its active duty combat forces deployed south of the Pyongyang-Wonsan line, within approximately 50 miles of

the DMZ, North Korea poses a significant and immediate threat to the security of the Republic of Korea.

Despite aging equipment and simplistic methods, North Korea's conventional military forces pose a continuing threat due to its sheer size and forward positions. Approximately 250 long-range artillery systems are within range of Seoul from their current locations. Although qualitatively inferior, North Korea's air force and navy, with over 1,600 aircraft, 700 ships, and the world's largest submarine fleet, are postured to launch operations against the Republic of Korea or other nations in the region with little or no warning.

While North Korean economic difficulties have impaired the readiness, modernization and sustainability of its conventional forces to some degree, North Korea, through its "Military First" policy, has continued significant investment in asymmetric capabilities that include nuclear weapons programs, special operations forces, missiles, and weapons of mass destruction.

North Korean Asymmetric Threats: Nuclear Capabilities, Special Forces, Missiles, and WMD

North Korea's asymmetric capabilities are substantial and represent a significant threat to the Republic of Korea and the region. The most pressing concern of these threats is North Korea's nuclear weapons programs. North Korea's abandonment of the 1994 Agreed Framework and International Atomic Energy Agency Safeguards Agreement, withdrawal from the Nuclear Non-Proliferation Treaty, restart of the Yongbyon nuclear reactor, and declarations

FOR OFFICIAL USE ONLY

that it possesses nuclear weapons and reprocessed 8,000 spent nuclear fuel rods are all matters of great concern. North Korea claims to have nuclear weapons – a claim the Director of National Intelligence, Ambassador John D. Negroponte, assesses as probably true. These weapons are a threat to regional stability and, if proliferated, global security. In addition, the Kim regime continues to use its “nuclear deterrent capability” as a bargaining tool for economic assistance and political concessions.

North Korea's 100,000-man special operations forces are the world's largest and enjoy the highest military funding priority for the regime. Tough, well trained, and profoundly loyal, these forces are engaged in strategic reconnaissance and illicit activities in support of the regime. During conflict, these forces will direct long-range missile and artillery strikes against key facilities in the Republic of Korea, attack to disrupt command facilities of the Republic of Korea - United States Combined Forces Command, and seek to destroy the Alliance's ability to generate combat power through off-peninsula reinforcement.

The North Korean ballistic missile inventory includes over 600 SCUD missiles that can deliver conventional or chemical munitions across the entire peninsula. North Korea also possesses as many as 200 medium range ballistic No Dong missiles with a range of 1300km that are capable of reaching Japan with these same payloads. Reports indicate North Korea is also preparing to field a new intermediate range ballistic missile which could easily reach United States facilities in Okinawa, Guam, and possibly Alaska. The regime's continued

FOR OFFICIAL USE ONLY

development of a three-stage variant of the Taepo Dong missile, which could be operational within the next decade, would not only provide North Korea the capability to directly target the continental United States, it would also allow North Korea -- the world's leading supplier of missiles and related production technologies -- the ability to provide its clients with the intercontinental capability to undermine stability in other regions.

The size of North Korea's chemical weapons stockpile is likely significant. We assess North Korea is probably capable of weaponizing chemical agents for conventional weapons systems, missiles, and unconventional delivery. Some reports suggest that Pyongyang may have a biological weapons research program. North Korea believes its nuclear and missile programs complement its conventional military capabilities to contribute to its security, providing deterrents to external intervention. Given North Korea's record of ballistic missile proliferation, we are concerned they may proliferate weapons of mass destruction.

The North Korean Economy

Severe economic problems remain the most pressing threat to the viability of the Kim Jong Il regime. Despite North Korea's limited experiments with free-market reform, its leadership is struggling with the cumulative impacts of a decade of economic decline. Total economic output has dropped nearly twenty-five percent since 1992 and factories operate at less than twenty-five percent capacity. The nation's power and transportation infrastructure are in need of

FOR OFFICIAL USE ONLY

massive overhaul and agricultural output can only feed two-thirds of the population. Compounding these difficulties, the regime institutes a “Military First” Policy which directs approximately one-third of the limited domestic output to the military. This policy ensures that the military receives top priority with all resources, thus limiting the resources that could be used for the welfare of the North Korean people. While many factors contribute to North Korea’s economic decline, the regime’s high rate of military spending remains the major impediment to long-term recovery. North Korea’s economy remains bolstered by aid from the international community. The regime also directs illicit activities such as drug trafficking, smuggling, and counterfeiting, as well as the proliferation and international sale of missiles, missile technology, and conventional arms to raise hard currency.

Assessment of the North Korean Threats

Despite its apparent economic decline and political isolation, North Korea continues to pose a dangerous and complex threat to regional and global peace and security. It maintains a massive, offensively postured conventional force that far exceeds the requirements to defend its country. There is little evidence to suggest the regime will abandon its “Military First” Policy, provocative diplomacy, nuclear challenges, missile proliferation and illegal activities, all of which are designed to contribute to its survival. North Korea will continue to maintain its bellicose stance toward the rest of the world, implementing limited policy and economic changes, while subjecting its people to continued repression. For now

and into the foreseeable future, it will remain a major threat to stability and security in Northeast Asia and the world.

III. The Republic of Korea - United States Alliance

The Republic of Korea - United States Alliance has, for over fifty years, guaranteed the security of the Republic of Korea against the threat of North Korean aggression, while enhancing peace and stability in the region. This alliance was forged during the Korean War and is exemplified today through the Combined Forces Command. While there have been many challenges in the region, the Republic of Korea – United States Alliance has remained stalwart in its mutual and enduring commitment to the security of the Republic of Korea and stability in the region. The Republic of Korea has been and remains a reliable ally to the United States, promoting peace and stability in the region and around the world.

The Republic of Korea Today

In the course of the Alliance's half-century of economic and security cooperation, the Republic of Korea has emerged as one of the leading economic powers and one of the preeminent democracies in the region. The Republic of Korea is the world's 12th largest economy with a gross national income of \$673 billion; exceeded in the region only by Japan and China. With economic growth fueled by global exports of high technology and consumer goods, the Republic of Korea is a major economic partner for the United States, ranking as our seventh-

FOR OFFICIAL USE ONLY

largest trading partner, seventh-largest export market, and an important investment location for American companies.

While the Republic of Korea has firmly secured its place as an important player in the global economy, declines in domestic consumption and business investment have slowed the growth of the economy over the past few years. Although private consumption appears to be improving, high household debt continues to be an issue of concern as well as the generation of jobs, particularly for South Korean youth. The effort to achieve five percent economic growth this year, while improving employment, will remain a top priority for the Roh administration. This recovery is essential to realizing the Republic of Korea's vision of becoming the transportation, financial, and information technology hubs of Northeast Asia, and in improving the quality of life for all of its citizens.

On the political front, the Republic of Korea enjoys a vibrant democracy. Generational perspectives impact the Republic of Korea's view of the threat posed by North Korea, which at times impacts the South Korean perception on the importance of our long-standing alliance. While impassioned debates and public demonstrations clearly exist, most South Koreans share the same view on two important issues: first, a nuclear armed North Korea is an intolerable threat to stability in the region, and second, a catastrophic failure within North Korea would destabilize the entire region and have extremely adverse consequences for South Korea.

In an effort to lessen the dangers of these potential threats, the Roh administration has adopted its "Policy for Peace and Prosperity" in guiding South

FOR OFFICIAL USE ONLY

Korea's approach to inter-Korean relations. This policy formally opposes North Korea's pursuit of nuclear weapons while continuing efforts toward inter-Korean rapprochement through humanitarian assistance, family reunions, tourism, and trade.

As a result of this policy, inter-Korean trade and South Korean aid to the North grew to over \$1 billion last year. In July 2005, the tenth meeting of the Inter-Korean Economic Promotion Committee was held in Seoul. In its discussions, the two governments agreed to combine economic production factors such as labor, capital, and technology to achieve balanced development of both nations' economies; invest in North Korea's Kaesong Industrial Complex; and conduct discussions on fisheries cooperation to promulgate peace in the West Sea. Through its Policy for Peace and Prosperity, Seoul hopes to promote gradual economic integration and reconciliation, providing the catalyst for a formal peace agreement to replace the Korean Armistice Agreement. While this is the intent, full implementation of this policy is predicated on resolving the North Korean nuclear issue on favorable terms for the region.

Strengthening the Republic of Korea - United States Alliance

During the December 2002 34th Security Consultative Meeting (SCM) the United States Secretary of Defense and the Republic of Korea Minister of National Defense established the Future of the Alliance (FOTA) Policy Initiative, a two-year dialogue designed to develop options for modernizing and strengthening the alliance. Following the conclusion of the FOTA dialogue in late

FOR OFFICIAL USE ONLY

2004, the Republic of Korea - United States Security Policy Initiative (SPI) was established as a high-level consultative forum to address the broader, long-term issues of the alliance, and to monitor the successful implementation of the initiatives that were begun under FOTA. Major SPI agenda items include managing the relocation of United States Forces in Korea, transferring military missions and responsibilities from American forces to Korean forces, enhancing combined readiness, and expanding security cooperation. The goal of these discussions is to develop a broad, comprehensive alliance based upon guiding principles that underpin our two nations. It is our expectation that this new vision will look beyond potential threats from North Korea and produce a robust view of what the alliance stands for, showcasing it as the embodiment of our common principles, common values, and common objectives to include democracy, open markets, non-proliferation, counter-terrorism, human rights, rule of law, and civilian control of the military.

During senior policy dialogues in 2005, it was mutually agreed to appropriately accelerate discussions on command relations and the transfer of wartime operational control in light of the Republic of Korea's increasing role in its national defense. The two alliance partners set a goal of presenting agreed recommendations on future command relationships, to include wartime operational control, at the 38th SCM in the fall of 2006.

In March 2004, the Roh administration published its first-ever national security strategy outlining its plan for the peaceful unification of Korea and for common prosperity in Northeast Asia. In this plan, the administration restates its

FOR OFFICIAL USE ONLY

opposition to North Korea's pursuit of nuclear weapons, while stating its "plans to first resolve the North Korean nuclear issue through dialogue based on a firm national defense posture."¹

This strategy also outlines the Roh Administration's plan for a more self-reliant defense posture, advocating the continued transformation of the Republic of Korea - United States alliance, the promotion of security cooperation with other nations, and the enhancement of its own capabilities to assume greater responsibility for the defense of the Republic of Korea. This "Cooperative Self-Defense Pursuit Plan" accommodates the reduction of United States military forces in Korea, the relocation of United States forces to the south of Seoul, and the transfer of a number of military missions from United States forces to Republic of Korea forces as the first of many steps toward a more self-reliant defense posture.

During 2005, the Republic of Korea government unveiled a draft defense transformation initiative called *Defense Reform 2020*. The year 2020 is the objective year for this defense transformation initiative, which envisions the development of a technology oriented, qualitative defense force that is capable of self-reliance while still strongly aligned with the United States. Additional targeted reforms include the increased civilianization of the defense ministry; the reformation of defense management systems for military justice, personnel

¹ Republic of Korea National Security Council, *Peace, Prosperity and National Security: National Security Strategy of the Republic of Korea* (Seoul, Cheongwadae, 1 May 2004), 21. In November 2004, President Roh stated that "there is no other means than dialogue [to resolve the North Korean nuclear issue]." Roh Moo-hyun, "Speech by President Roh Moo-hyun at a Luncheon Hosted by the World Affairs Council of the United States," (13 November 2004).

FOR OFFICIAL USE ONLY

management, defense acquisition, and the reorganization of the Joint Chiefs of Staff as a warfighting planning and execution headquarters.

Under the defense reform initiative, the Republic of Korea's Ministry of National Defense has requested an average defense budget increase of 11% per year until 2015, followed thereafter by an average increase rate of 9% until 2020. In December 2005, the National Assembly provided \$22 billion for defense in 2006 -- a 6.7 percent increase over the 2005 budget. While this defense budget increase shows growth, successful execution of *Defense Reform 2020* requires both legislative support and consistent, substantive annual defense budget increases to enable the Republic of Korea to achieve its stated defense objectives.

With the Republic of Korea's increasing economic capacity and prominence in the international community, a balanced defense burden sharing arrangement in support of United States forces in Korea is fundamental to the strength of the Alliance. Early last year, the Republic of Korea and United States concluded a two-year Special Measures Agreement for 2005 and 2006. Per this agreement, the Republic of Korea agreed to provide a two-year annual payment of 680 billion Korean Won (~\$680M), resulting in a decrease in 2005 of 67 billion Korean Won (~\$67M) for non-personnel stationing costs of United States forces in Korea from 2004 levels. Inevitably, such funding shortfalls require the United States Forces Korea to make difficult decisions on important combat readiness issues. Clearly, defense burden sharing is advantageous to both Alliance partners. For the United States, the Republic of Korea's willingness to equitably

FOR OFFICIAL USE ONLY

share appropriate defense costs is a solid indicator that United States forces in Korea are wanted, needed, and respected by our host. For the Republic of Korea, cost sharing contributions are returned back to the Korean economy at a ratio greater than one point four to one. These funds are injected directly back into the South Korean economy by paying the salaries of Korean USFK employees, Korean contractors, and Korean construction firms. Additionally, as the Republic of Korea builds its self-reliant defense force, the United States continues to invest in capabilities enhancements that contribute enormously to the security of the Republic of Korea. As the Alliance evolves, the Republic of Korea and the United States must develop a burden sharing framework that accurately reflects the realities of our allied partnership and properly supports United States forces in the Republic of Korea.

During their May 2003 Summit Meeting, President Bush and President Roh noted the significance of the 50-year partnership and highlighted the importance of building a dynamic alliance relationship for continued peace and prosperity on the Korean peninsula and in Northeast Asia. Noting the Republic of Korea's growing national strength, the presidents pledged to increase mutual security cooperation and to modernize the Republic of Korea – United States Alliance. These same sentiments were again echoed in their November 2005 bilateral meeting in Gyeongju, South Korea during the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting. During this bilateral summit, the two sides introduced a new strategic dialogue for ministerial-level talks between the United States Secretary of State and the Republic of Korea Foreign

FOR OFFICIAL USE ONLY

Minister. Under this framework, the Republic of Korea and the United States will periodically discuss and review bilateral, regional, and global issues of mutual interest.

During the January 2006 inaugural session of the ministerial-level strategic dialogue, the United States and Republic of Korea governments reached agreement on strategic flexibility of United States forces in Korea. The agreement has two basic tenets: the Republic of Korea fully understands the rationale for the transformation of United States global military strategy, and respects the necessity for strategic flexibility of United States forces in Korea; and in the implementation of strategic flexibility, the United States respects the Republic of Korea's position that it shall not be involved in a regional conflict against the Korean people's will. This agreement is a testament of alliance strength and solidarity between the Republic of Korea and United States.

South Korea's efforts to develop improved warfighting capabilities for self-reliant defense are consistent with the United States' aims of encouraging our allies to assume greater roles in regional security. Peaceful resolution of the North Korean nuclear issue, enhanced Republic of Korea military forces, and greater regional cooperation -- key elements of Seoul's national security strategy -- are congruent with Washington's policies, and the United States Forces Korea fully supports the realization of such initiatives.

The Republic of Korea's Support of Global and Regional Security

Consistent with the spirit of mutual cooperation, the Republic of Korea continues to assist United States' efforts to promote global and regional security as an active partner in the Global War on Terrorism; support for operations in Iraq and Afghanistan; and participation in United Nations' peacekeeping, humanitarian assistance, and disaster relief missions. Recalling the sacrifice of so many countries during the Korean War, the Republic of Korea's ability to now contribute to international stability elsewhere is commendable and noteworthy.

Since 2002, the Republic of Korea has been an active supporter in the Global War on Terrorism, contributing millions of dollars in aid for reconstruction and providing and deploying a large contingent of troops to support operations in Afghanistan and Iraq. In 2004, the Republic of Korea National Assembly authorized the military deployment of South Korea's Zaytun² Division to assist with stability and reconstruction efforts in Iraq. In August 2004, the Republic of Korea deployed this unit to Iraq, where it joined the ranks of its previously deployed advance contingent of medics and engineers at Irbil in Northern Iraq. In December 2005, the Republic of Korea National Assembly approved a second, one-year extension of the Zaytun Unit to remain in Iraq through 2006, although with a reduced force structure of 2,300 troops. The Republic of Korea's continued participation in *Operation Iraqi Freedom* is a testament to its continuing support to the Global War on Terrorism, its commitment to the democratization of

² Zaytun is Arabic for olive branch, which is a symbol representing peace.

FOR OFFICIAL USE ONLY

Iraq, and its efforts at enhancing and sustaining the Republic of Korea - United States Alliance.

At the same time, the Republic of Korea's support to Afghanistan has been substantial, to include providing a 58-person medical unit (which recently surpassed 10,000 in total medical patients treated), a 147-person engineer construction unit in Afghanistan, and contributing other military assistance worth millions of dollars.

Beyond Afghanistan and Iraq, the Republic of Korea has been a partner in United Nations peacekeeping operations around the globe. The Republic of Korea has dispatched Sudanese mission supporters in November 2005, while continuing to post medical officers in the Western Sahara, and observers deployed to the United Nations Observer Missions in Kashmir, Georgia, Liberia, and Burundi. Collectively, these contributions are a strong testament to the Republic of Korea's commitment to stability and security beyond the Korean Peninsula.

IV. United Nations Command, Combined Forces Command, and United States Forces Korea

The Republic of Korea - United States Alliance, the United Nations Command, the Combined Forces Command, and the United States Forces Korea provide the foundation for the security of the Korean peninsula, and peace and stability in the region. Together, the forces of these commands provide a

FOR OFFICIAL USE ONLY

potent, integrated team with dominant military capabilities to deter any provocation and deter escalation that could destabilize the region. The commands remain trained and ready to fight, even as they are being transformed to adapt to a changing security environment by leveraging strengths of the Republic of Korea - United States Alliance and advanced warfighting technologies of increasingly more capable military forces. Throughout this transformation process, my command priorities will remain consistent: namely, to ensure peace and stability on the Korean Peninsula; strengthen the Republic of Korea – United States Alliance through transformation; enhance warfighting readiness; and improve force well-being.

Ensuring Peace and Stability on the Korean Peninsula

For over fifty years, United States forces have contributed to stability in the Republic of Korea and the region. The impenetrable friendship between our two nations continues to grow stronger every day; in large part, because of America's ongoing commitment to ensure security on the Korean Peninsula and to promote stability in the Northeast Asia region. The Republic of Korea continues to be a valuable ally and partner in the region and around the globe. The presence of United States forces in Korea demonstrates our commitment to shared interests: regional peace and stability; free trade; and the spread of democratic principles. The United Nations Command, Combined Forces Command, and the United States Forces Korea are trained and ready. We remain confident in our ability to deter, and if necessary, defeat aggression against the Republic of Korea.

Strengthening the Republic of Korea – United States Alliance through Transformation

During the October 2005 37th SCM, the United States Defense Secretary and Republic of Korea Defense Minister emphasized the continuing transformation of the Republic of Korea – United States Alliance into a comprehensive and dynamic bilateral relationship. Both sides concurred that transformation of the commands into a solid combined defense posture is vital to securing peace and stability on the Korean peninsula and in Northeast Asia.

United Nations Command

As the longest standing peace enforcement coalition in the history of the United Nations, the United Nations Command represents the international community's enduring commitment to the security and stability of the Korean Peninsula. With fifteen current member nations, the United Nations Command actively supervises compliance with the terms of the Korean Armistice Agreement, fulfilling the members' mutual pledge to "fully and faithfully carry out the terms" of the Armistice, and if there is a renewal of North Korean armed attack, to provide a unified and prompt response to preserve the security of the Republic of Korea.

With exclusive authority south of the Military Demarcation Line for the maintenance of the Armistice, the United Nations Command holds meetings with the North Korean People's Army, inspects United Nations units along the

FOR OFFICIAL USE ONLY

Demilitarized Zone, and conducts investigations into alleged violations to prevent minor incidents from escalating into destabilizing crises. In October 2004, the responsibility for the protection of the Joint Security Area at Panmunjom shifted from the United States Army to Republic of Korea forces. This mission transfer is part of the Alliance agreement that recognizes the increased capabilities of the Republic of Korea military.

Although the United Nations Command is a multi-national organization, the United States has historically provided the Command with a majority of its personnel, while other coalition members have primarily functioned in liaison and advisory roles. It is the Command's intent to create a truly multi-national staff by expanding the roles of the member nations and integrating them more fully into our contingency and operational planning and operations. This integration is even more vital with the recent opening of two inter-Korean transportation corridors crossing the Demilitarized Zone. The United Nations Command has approached coalition members to augment its staff to assist in the management of the two transportation corridors crossing the Demilitarized Zone. The United Kingdom, Australia, France, and New Zealand now provide officers on a rotational basis for these duties. Several other countries, including Columbia, Philippines, and Thailand, are also considering sending augmentees. Additionally, member nations participated in the first contingency planning conference last year and are sending observers to major exercises with the objective of integrating their expertise where it is needed. The United Nations

FOR OFFICIAL USE ONLY

Command hopes to further expand the coalition on a more permanent basis throughout the United Nations Command staff.

Combined Forces Command and United States Forces Korea

Since its inception nearly thirty years ago in 1978, the Combined Forces Command has been the warfighting command supporting the Republic of Korea - United States Alliance. Through authority based on the 1953 Mutual Defense Treaty between the Republic of Korea and the United States, the Combined Forces Command provides the cornerstone of deterrence against North Korean aggression, and if deterrence fails, is ready to win decisively. Vigilant and well trained, the Combined Forces Command is the most powerful combined warfighting alliance in the world today.

The Combined Forces Command continues to adapt to the changing security environment by advancing warfighting technologies and leveraging a more capable Republic of Korea military force. United States capabilities enhancements are significant, including the fielding of the PAC-3 Patriot Missile System coupled with the stationing of a Patriot brigade headquarters, and a second Patriot battalion with two additional Patriot batteries to strengthen our Theater Missile Defense. The upgrade of our Apache Helicopters to AH-64D Longbows greatly increases the lethality and survivability of that weapon system and significantly enhances its ability to destroy North Korea's long-range artillery that threatens Seoul. The Republic of Korea is also enhancing its military capabilities as it continues to field and upgrade its fleet of K1A1 tanks, K-9 self-

FOR OFFICIAL USE ONLY

propelled howitzers, and multiple launch rocket systems. Additionally, in 2005 it launched its first LPX (Landing Platform Experimental) amphibious ship, and the first four of forty F-15K multi-role fighters. The Republic of Korea is also in the final stages of constructing a new naval base for their 3rd Fleet. This facility will include a nuclear-powered carrier capable pier and will be completed in late June 2006.

We must continue to expand our capabilities and revise the way we conduct operations. Simultaneous maneuvers, parallel planning, effects-based operations, and asymmetrical assaults all conducted in a dynamic battlespace will improve the conduct of our future combined operations.

As a result of combat capabilities enhancements, in 2003 the United States and the Republic of Korea agreed to transfer ten selected military missions from United States forces to Republic of Korea forces over a three-year period. This effort, which began in 2004, continues and to date we have successfully transferred seven missions, to include the early transfer of the Main Supply Route Regulation Enforcement mission, the Counterfire Task Force Headquarters mission (transferred last year on time and with a subsequent increase in capability), and most recently, in January 2006, the Maritime Counter Special Operations Force mission. Indeed, this is a direct reflection of the Republic of Korea's military capabilities. With the Republic of Korea's procurement of required equipment and training, it is expected that each of the remaining three missions will also be transferred without any loss in combined readiness.

FOR OFFICIAL USE ONLY

Concurrent to these mission transfers, the United States and Republic of Korea governments agreed to the reduction of 12,500 personnel from United States Forces Korea over a five-year period which began in 2004. Per this agreement, between 2004 and 2005, we reduced 8,000 troops to include the deployment of the U.S. Second Infantry Division's 2nd Brigade Combat Team to Iraq, followed thereafter by its restationing at Fort Carson, Colorado. This year we will reduce 2,000 more troops, and in 2007 and 2008, an additional 2,500 will be reduced, leaving an authorized end strength of 25,000 military personnel on the peninsula.

This reduction plan principally affects the Eighth United States Army, which is reducing its force by forty percent as it simultaneously restructures many of its units as part of the Department of the Army's Total Force Transformation effort. Army-wide, the United States is tailoring its command and control echelons from four headquarters-type elements -- brigade, division, corps, and field army -- to three types of headquarters elements, while forming modular, self-sustaining brigade-level organizations. The Eighth United States Army's transformation efforts align with this, and last year the Second Infantry Division completed the transformation of its division headquarters; heavy brigade combat team; fires brigades; and combat aviation brigade. Seventh U.S. Air Force is also reducing, but on a much smaller scale.

Finally, we have made significant progress in properly aligning U.S. forces in Korea. In October 2004, the Republic of Korea Minister of National Defense and Commander, United States Forces Korea signed the Yongsan Relocation

FOR OFFICIAL USE ONLY

Plan Agreement, which was ratified by the Republic of Korea National Assembly in December 2004. According to the terms of that agreement, the headquarters elements of the United Nations Command, Combined Forces Command, and United States Forces Korea will relocate to Camp Humphreys, near Pyeongtaek, in 2007, and all other units at Yongsan will finish relocating by December 2008.

The realignment of the United States Army's Second Infantry Division is part of this alignment plan which, when complete, will allow United States forces to assume a more efficient and less intrusive footprint within two hubs of enduring installations south of Seoul's Han River, significantly improving the quality of life for our service members, while returning valuable land to the citizens of the Republic of Korea.

Per our international agreements, we are making significant progress in relocating United States forces from facilities and areas in and north of Seoul into two hubs of enduring installations south of Seoul. At the end of 2005, we had closed a total of 31 USFK facilities and areas, amounting to 11,000 acres with a tax assessed value of over \$500 million. By the end of 2008, we will have closed 59 facilities and areas -- two thirds of all land, granted under the Status of Forces Agreement, totaling 36,000 acres.

In exchange for the eventual return of the majority of our dispersed camps, the Republic of Korea, per our agreements, has purchased an additional 2,852 acres of land that is needed to expand Camp Humphreys and Osan Air Base to accommodate our relocation. It has now granted the first 200 acre parcel to United States Forces Korea, and is currently conducting an

FOR OFFICIAL USE ONLY

environmental impact assessment of all these properties that will be completed in September 2006. Thereafter, the land will be prepared and major construction initiated.

The relocation of the Second Infantry Division will begin once construction at Camp Humphreys is complete. Sustained funding of United States military construction projects in Korea, coupled with sufficient host nation-funded construction by the Republic of Korea, is crucial for this plan to remain on track.

Enhancing Warfighting Readiness

While our militaries transform, it is critical that we continue to enhance readiness, and the key to enhancing readiness is by ensuring unfettered access to suitable training ranges and areas for the Combined Forces. As Commander of Combined Forces Command, vested with combined delegated authority, warfighting readiness is a major priority. Training ranges in Korea are small, austere, de-centrally managed, and subject to encroachment. As our military capabilities are enhanced and transformed, our training facilities must keep pace. We must work together on a long-term solution to keep our Combined Forces trained and ready in the future. Our recent upgrades to Pilsung Range, and planned upgrades at Chik-do Range, are only the beginning of that long-term combined solution. Of great immediate concern is the closure of Koon-ni Range. Closing that range was the right decision, but we now have a loss of training capacity in Korea until Chik-do Range modifications are completed later this summer. Until that time, we need to regain required levels of training access to

FOR OFFICIAL USE ONLY

keep USFK forces combat ready. These forces are critical to seizing the initiative should the Republic of Korea be attacked. We are working closely with the Republic of Korea government to restore training access.

Training is central to our capabilities and at the core of what binds our Combined Command into an effective fighting force. Tough, realistic, battle-focused training will enable our components to deter hostile acts of aggression and, if necessary, defeat the forces that mount an external attack against the Republic of Korea. As a forward deployed force, we must be ready at all times to deploy to wartime locations and conduct operations. The robust annual Combined Forces Command exercise programs ensure that we are trained and ready for contingencies. The theater-level exercises – ULCHI-FOCUS LENS; Reception, Staging, Onward Movement, and Integration; and FOAL EAGLE -- collectively train over 400,000 Republic of Korea and United States active and reserve component personnel in the critical tasks essential to deterring, and if necessary, defeating North Korean aggression against the Republic of Korea. These command post and field training exercises use battle simulations technologies to train leaders in battle command, leveraging the significant United States theater-wide investment in Command, Control, Communications, Computers, and Intelligence (C4I) systems. These combat enablers provide the Collaborative Information Environment to plan, execute, and assess effects from distributed locations; allowing the Combined Forces Command to see, understand, and act to dominate the battlespace.

FOR OFFICIAL USE ONLY

ULCHI-FOCUS LENS is a simulation-driven command post exercise focused on joint and combined effects-based operations, and sustaining command and control, logistics, and dominant maneuver skill sets. The objective of the Reception, Staging, Onward Movement, and Integration, or RSO&I exercise, is to improve our ability to rapidly reinforce and sustain operations in the Korean theater. Foal Eagle is a tactical-level joint and combined exercise that hones warfighting and interoperability skills. These exercises, supplemented by subordinate command training programs, ensure that the Combined Forces Command remains ready and capable to win decisively, thus deterring North Korean aggression.

Your continued support to our joint and combined training programs and theater exercises are critical to our readiness, as is your support to our capabilities enhancements. Key focus areas for modernization are: joint and combined command, control, communications, and computers (C4); theater missile defense; intelligence, surveillance, and reconnaissance (ISR); prepositioned equipment and logistics; and counterfire and precision munitions.

With your help, we have made meaningful progress in Joint and Combined C4 integration and interoperability. The Combined Forces Command and the United States Forces Korea have successfully linked all United States and Republic of Korea command centers and staff elements with secure and protected information systems. Each command center is equipped with increased bandwidth to provide shared situational awareness via a near real-time common operational picture of the battlespace. These command centers are

FOR OFFICIAL USE ONLY

equipped with secure video teleconference, collaboration tools, and information portals which are supported across a Combined Enterprise Regional Information Exchange System (CENTRIXS) network enterprise. This capability enables parallel planning for all Combined Forces and United States Forces Korea units as well as other friendly forces. Current initiatives in coalition interoperability seek to extend a seamless C2 capability throughout the theater that will greatly improve multi-national information sharing capability. Your support for these improvements and your assistance in coupling our coalition warfighting C4 systems to hardened, secure long-haul strategic communications nodes on peninsula and throughout the region is essential to our continued progress in this important area.

The regional missile threat requires a robust theater missile defense system to protect critical Combined Forces Command capabilities and personnel. PAC-3 Patriot Missile System upgrades and improved munitions have significantly enhanced our posture. To protect critical United States facilities in Korea, we must complete upgrading the remainder of our systems with advanced theater missile defense capabilities. Continued production of PAC-3 missiles in the near-term, followed by continued development of the Theater High Altitude Air Defense (THAAD), Airborne Laser, and Aegis Ballistic Missile Defense (BMD) will provide the layered missile defense capability we require in the future. Your continued support to these and other service component programs remains essential to protecting our forces on peninsula, and to our ability to reinforce the peninsula in the event of a crisis.

FOR OFFICIAL USE ONLY

Robust ISR capabilities are essential to provide sufficient warning of an impending crisis and to support rapid, decisive operations in the event of a North Korean attack or collapse. The Combined Forces Command's efforts to transform our combined intelligence capabilities are progressing, but require sustained and significant support from Congress and the Combat Support Agencies if we are to achieve the full spectrum persistent surveillance we require to avoid surprise. Our intelligence transformation efforts are focused on three things: improving our warning posture, modernizing legacy C4I architectures and sensor suites, and improving our ability to discern intent.

As evident in the intelligence community's recent completion of our Intelligence Campaign Plan, there are a number of intelligence shortfalls in our national and theater coverage that require immediate attention. Chief among these are the need for persistent national and theater surveillance systems that provide continuous multi-discipline base-lining of the threat. Central to this is the accelerated fielding and installation of state of the art Signal Intelligence (SIGINT), Imagery Intelligence (IMINT), and Measurement and Signal Intelligence (MASINT) sensors that are relevant to target sets. In addition to the fielding of a long-range unmanned aerial sensor, upgrades for the theater's aerial sensors, and modernization of our SIGINT and Tactical Exploitation of National Capabilities (TENCAP) architectures, the theater will benefit greatly from increased access to space systems supporting ISR operations. With these improvements to our collection capabilities, we must also sustain the expansion and modernization of our C4I architectures to improve the theater's reach back to

FOR OFFICIAL USE ONLY

the Pacific Command and the Combat Support Agencies, to provide bridging technology to our host nation's systems, and to enable the horizontal integration of the national to tactical intelligence enterprise that supports our theater.

The Undersecretary of Defense for Intelligence and the Joint Forces Command's Information Dominance Center Initiative and Project Morning Calm have demonstrated the technical approaches we require to improve our theater's intelligence architecture and to fuse live intelligence with operational data in a common domain to speed decision making. Continued support for this effort will allow us to expand the fielding of Information Dominance Center technology across our joint and combined components, and to extend a common architecture across the enterprise to enable rapid data sharing and collaboration in near real time. Support to these initiatives will provide us with the timely, accurate assessments we require to establish conditions that enable rapid dominance of the battlespace. Your continued support to modernizing intelligence, surveillance, and reconnaissance capabilities is required and an essential investment for the Alliance.

Logistically supporting United States Forces Korea is a complex, multi-faceted undertaking. The proximity of the North Korean threat, coupled with the long distances from United States sustainment bases, requires a robust and responsive logistics system to support United States forces based in Korea. The capability enhancements currently programmed will significantly improve our core logistics functions through modern pre-positioned equipment, responsive strategic transportation, and modern logistics tracking systems.

FOR OFFICIAL USE ONLY

Pre-positioned equipment sets, which include critical weapons systems, preferred munitions, repair parts, and essential supplies, are critical to the rapid power projection to reinforce the Korean theater. Of note, command leadership took an aggressive approach last year to improve the readiness of Army Pre-positioned Stocks in Korea. The Army Material Command significantly increased their workforce for these stocks, and from 1 March through 23 September 2005 inspected and took corrective action on 1,531 pieces of equipment in the Heavy Brigade Combat Team. These efforts ensured all of this equipment met standards. Present operational readiness of the Heavy Brigade Combat Team combat systems is at 96 percent fully mission capable. Monthly video teleconferences occur to track the maintenance and readiness, as well as the shortfall posture. However, shortages continue to exist and can only be overcome through increasing the priority of fill for Army Pre-positioned Stocks and the allocation of additional funding.

Responsive strategic transportation – fast sealift ships and cargo aircraft – remains indispensable to rapidly reinforce the Korean theater and sustain United States forces. Expeditious fielding of the Air Force's C-17 fleet, and the Joint High Speed Vessel to the United States Pacific Command area of responsibility remains a high priority to support United States forces based in Korea.

Equally important is the ability to maintain in-transit visibility of supplies and equipment with a modernized joint Logistics Command, Control, Communications, Computers, and Information system. Lessons from Operations Iraqi Freedom and Enduring Freedom have highlighted several areas where

FOR OFFICIAL USE ONLY

relatively small investments in asset tracking systems and theater distribution yield significant efficiencies and improve the overall effectiveness of our logistics systems.

Also of great assistance is legislation recently enacted by Congress and signed by the President that authorizes the United States government to offer, for sale or concessions, surplus ammunition and military equipment to the Republic of Korea from the War Reserve Stocks Allies – Korea (WRSA-K) program that will terminate soon. This legislation relieves the United States of the burden to maintain this stockpile and further encourages the government of the Republic of Korea to continue its stated goal of a self-reliant defense posture. Your continued support for improved logistics and sustainment programs will ensure that United States forces remain prepared with the highest levels of readiness.

Counterfire and precision strike are core capabilities for all of our contingency plans, allowing us to change the dynamics of a conflict and rapidly achieve campaign objectives. Increasing the forward stocks of preferred munitions is critical to operational success in the Korean theater. Our priority ordnance requirements include: the GPS-guided Multiple Launch Rocket System with extended range capability; a ground-launched, extended range and all weather capability to defeat hardened and deeply buried targets (HDBTs); precision guided munitions; air-to-ground missiles; and air-to-air missiles. Your continued support to these programs provides the overmatching capabilities to buttress our deterrence.

Improving Force Well-Being

The staying power of the United States military fighting for freedom in the Republic of Korea comes at a cost that is born daily by the men and women in uniform that live and work in facilities unlike their counterparts in the continental United States. Establishing a stable stationing environment will enhance readiness, force protection, and overall quality of service. Adding to your support of programs such as Assignment Incentive Pay and Cost of Living Allowance, our current initiatives to improve quality of life and readiness include increasing the number of accompanied personnel, increasing accompanied tour lengths to three years, and working with the Services to provide forces using unit rotations. Unit rotations provide the benefit of enhanced readiness and unit cohesion as well as reducing personnel turbulence. These measures, in addition to upgrades to facilities (e.g., housing, schools, commissaries, community centers) and equitable pay, provide an attractive working environment that result in an increased number of military and civilian personnel extending their tours. These initiatives also allow us to recruit and retain the talented and motivated people we need to accomplish our mission in Korea.

Furthermore, improvements in programs such as the Army's Family Readiness Group, which recently incorporated programs to support unaccompanied service members' families living outside of the Korean peninsula, ensure that these families are properly cared for during their separation. With your assistance, we will continue to sustain momentum and continue to build on these initiatives.

FOR OFFICIAL USE ONLY

Upgrading and Building New Infrastructure

The relocation of United States Forces Korea to two hubs of enduring installations will provide a unique opportunity to upgrade our service members' quality of life while establishing the long-term infrastructure that is required to maintain an enduring presence on the peninsula. As we move forward with our overall construction master plan -- executable with sustained military construction funding under the Future Years Defense Plan and host nation-funded construction -- we must also maintain our existing facilities. Your support of our Sustainment, Restoration, and Modernization Program requirements, along with host-nation contributions, will allow us to complete our infrastructure renewal program to enhance our force protection posture and the quality of life for our personnel. The President's Fiscal Year 2007 budget request includes several military construction projects that are essential to our forces in Korea and critical to the execution of our overall theater master plan.

The challenge in recapitalizing our infrastructure is substantial and continues to be under-funded. Our facilities and infrastructure are old: over one-third of the buildings in the command are between 25 and 50 years old and another one-third are classified as temporary structures. Due to previously under-funded Sustainment, Restoration, and Modernization Programs, many buildings have deferred maintenance, contributing to their continual deterioration. Our annual allocations for sustainment funding have been about fifty percent of requirements, while restoration and modernization funding has been much less than that. A robust Sustainment, Restoration, and Modernization profile is

FOR OFFICIAL USE ONLY

absolutely essential if we are to maximize the appropriated military construction dollars we receive. Without the funds to sustain, restore, and modernize our facilities, we will perpetually be relegated to live and work in run-down, patched-up facilities.

Many of our unaccompanied and accompanied service members continue to live in substandard housing, whether in military facilities or in crowded urban areas outside our installations. Our realignment to two enduring hubs will allow us to focus on improving living and working conditions at our enduring installations; to this end, sustained access to several different funding programs will be essential to include United States military construction, host nation-funded construction, and commercial build-to-lease programs.

We are making good progress towards achieving the Department of Defense's goal to house all unaccompanied service members in adequate installation housing by 2007. The Army and Air Force are using military construction to build ten unaccompanied housing facilities (or 3,316 barracks spaces) – six facilities at Camp Humphreys, two at Osan Air Base, and two at Kunsan Air Base. In addition, we are contracting two host-nation funded construction projects in our southeast hub to provide adequate barracks space for all of our Marines and Sailors assigned to Camp Mu Juk in Pohang. To improve the unaccompanied senior enlisted and officer quarters, we have contracted a commercial build-to-lease project at K-16 Air Base and plan similar projects at Camp Humphreys. In FY 07, I am requesting \$123.7 million in military

FOR OFFICIAL USE ONLY

construction funds to build two barracks complexes at Camp Humphreys (\$77 million) and a large dormitory at Kunsan Air Base (\$46.7 million).

Currently, over twenty-five percent of our government family housing units do not meet the Department of Defense minimum living standards. Continued support for family housing construction in Korea through commercial build-to-lease projects will help ensure quality housing for all our service members' families, facilitating the attainment of Department of Defense or Service living standards, and is essential to support the relocation program. I want to assure you that we will continue to be stalwart stewards of the appropriations that you entrust to us, which will provide our service members with adequate working and living facilities.

Force Protection

Well being is about providing a safe, high quality, productive, and predictable environment. Through the combined efforts of our men and women, we will employ appropriate force-protection measures to ensure that all members stationed in the Republic of Korea can go about their daily lives confident that we have done everything possible to safeguard and protect them. I expect commanders to empower subordinates while holding them accountable for the safety of their Soldiers, Sailors, Airmen, and Marines.

FOR OFFICIAL USE ONLY

Prostitution and Human Trafficking and Sexual Assault

United States Forces Korea has a zero tolerance policy towards prostitution and human trafficking. To ensure members are fully aware of this policy, we initiated a four-pronged approach focusing on awareness, identification, reduction and enforcement. As a result, we experienced few violations in the past year that resulted in disciplinary action. Equally important is the command's initiatives in combating sexual assault. Since its inception in 2004, the United States Forces Korea Sexual Assault Working Group has developed and implemented an education program for training our leaders and service members on awareness and prevention of sexual assault. This training stresses sexual assault risk factors and victim care. I will continue to be vigilant in enforcing the sexual assault prevention programs and zero tolerance approach adopted by the command. Promoting dignity and respect are of the utmost importance and a mandate we fully embrace within United States Forces Korea.

Ensuring Equitable Pay

Major improvements have been made on the pay disparity in the Republic of Korea. For the first time in over 50 years of the Alliance, a Cost of Living Allowance was authorized in 2003. Additionally, the Army and the Air Force implemented the Assignment Incentive Pay (AIP) Program, authorizing a cash incentive for service members who are willing to extend their tours in Korea. So far, over 14,000 Soldiers and Airmen have volunteered for AIP, saving the Department of Defense nearly \$67 million in reduced permanent change of

FOR OFFICIAL USE ONLY

station costs. Although the cost savings will be reduced due to recent program enhancements such as payment beginning the month of signature, the benefits of this program are immeasurable. Following on the great success of the Army and Air Force, in January 2006, the Navy implemented AIP for its sailors. AIP improves stability, predictability, and operational readiness of the Alliance.

V. Transforming for the Future

Transformation of United States Forces Korea is well under way. Your continued investments in equipment and infrastructure are greatly improving our operational capabilities and the quality of life for United States service members, Department of Defense civilian employees, and family members. Our transformed forces and state-of-the-art capabilities greatly improve deterrence on the peninsula by providing strategically mobile overmatching power to dissuade potential threats to Alliance interests. Your continued support will ensure we achieve our transformation objectives by providing our forces with the resources needed to deter aggression and to foster peace and stability on the Korean peninsula and in the region.

You can be justifiably proud of the Soldiers, Sailors, Airmen, Marines, and civilians serving in the Republic of Korea. Their daily dedication and performance continue to earn the trust and confidence that you have placed in them.